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GENERAL

1. Comment on 16 June session on Indochina at Geneva:

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The two small concessions offered by the Communists in the 16 June meeting on Indochina seem designed to keep the Geneva conference alive without committing the Communists to a definite withdrawal from their maximum demands.

The Communists previously insisted on a four-state international truce supervisory commission which would include two Communist states. Molotov now proposes an Asian neutral such as Indonesia as a fifth member, or as the third member of a three-state commission along with Poland and India. The major decisions before the commission would still require unanimity.

The Communists had also insisted from the start that military and political settlements include Laos and Cambodia as well as Vietnam. Chou En-lai made a proposal on 16 June for a military settlement which implied the possibility of a withdrawal of Viet Minh forces from those states, and the Viet Minh delegate proposed a political settlement for Vietnam which would postpone settlements in Laos and Cambodia. These proposals would leave the Communists free to return later to their previous demands.

While seeking to prolong the conference, the Communists seem to be preparing for a possible early breakdown. They have urged that direct French-Viet Minh military talks get under way in the field as well as at Geneva, and that direct political talks be arranged. Such talks would open the way for moving all the Indochina negotiations to the field in the manner of the Panmunjom talks.

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25X1A 5. Chinese Communists building road toward Burma:

A 156-mile highway from Nanchien--near Mitu on the Burma Road in Yunnan Province--southwest to Mianning has been opened to truck traffic, according to a New China News

Agency broadcast from Kunming on 1 June (see map, p. 6). The road is identified as part of the 304-mile Nanchien-Nanta highway, construction of which was started in April 1953.

Comment: This highway, which was not known to be under construction, fills a large gap in Communist China's highway system in its southwest border region. It is the only motor road between the Burma Road and the recently completed military road to Cheli near the Sino-Burmese-Indochina border junction. This developing network of roads in southwest Yunnan Province will increase the mobility of the units of the 13th and 14th Armies that are stationed along China's southwest border.

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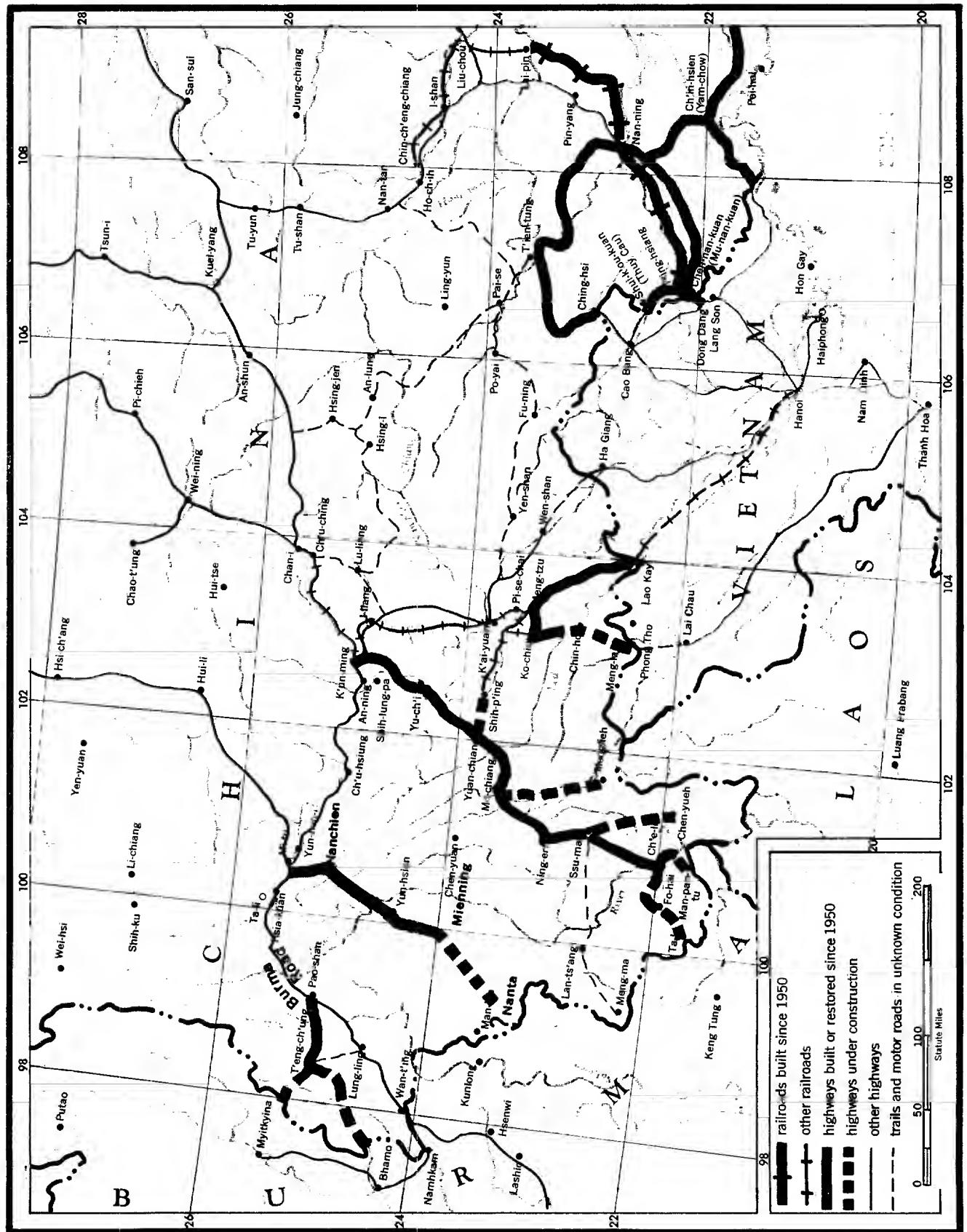
SOUTHEAST ASIA

6. Tonkin governor Tri reported to have resigned:

Governor Nguyen Huu Tri submitted his resignation to Premier Buu Loc on 14 June, [REDACTED] The reasons for his action are said to have been

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SOUTH CHINA BORDER HIGHWAYS



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personal fatigue and friction between the regional and central governments. Tri also believes the replacement of Buu Loc by Ngo Dinh Diem will not improve matters.

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Comment: The American consul in Hanoi recently reported Tri's exhaustion and deplored the possibility that this most able administrator might be removed. Tri is said to have threatened about two weeks ago to resign if Diem were appointed premier.

25X1A ⁷ Hanoi's rice reserves sufficient for 20 days:

[redacted] Hanoi at present has rice stocks of about 2,000 tons, according to an estimate of the Vietnamese director of the Regional Economic Service there. Under optimum conditions, the city might be able to maintain itself for 20 days without resupply. This period would be shortened if, in the confusion of an emergency, the internal distribution system broke down.

Comment: Viet Minh efforts against Hanoi's supply lines are expected to grow in intensity. The enemy, by cutting the city's communications with Haiphong more frequently and for progressively longer periods of time, could whittle down the city's reserves to the point of strangulation.

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NEAR EAST - AFRICA

8. Turkish and Pakistani prime ministers agree on policies toward Iraq and Iran:

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[redacted] Turkish prime minister Menderes told Ambassador Warren on 14 June that he and Pakistani premier Mohammed Ali

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completely agree on the necessity of bringing combined pressure on Iraq and Iran to join the Turkish-Pakistani pact.

Menderes said he and Ali regard the course of the Iraqi government with respect to the pact as ambiguous, uncertain, and irresponsible. They have agreed, therefore, to withhold pressure on Iraq to join the agreement until a new government has been formed, at which time the Iraqis would be told in no uncertain terms to "fish or cut bait."

The ministers also decided: (1) to encourage Iranian adherence to the pact, (2) to show a positive interest in the solution of the Iranian oil problem as a major economic prerequisite to the development of Iran's armed forces, and (3) to give full support to the shah and the Zahedi government.

Ali offered to make Pakistani military units available for an expeditionary force to support Iraq and Iran after they join the pact, should the necessity arise, and expressed willingness to accept outside assistance in the event of aggression against Pakistan.

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LATIN AMERICA

25X1A 10. Argentina conditions support of OAS meeting on change in site:

Argentine foreign minister Remorino told Ambassador Nufer on 16 June that Argentina will support the proposal for an Organization of American States meeting on Guatemala

only if the meeting is not held in Uruguay. At a meeting in Montevideo, he said, the Argentine delegation might be subjected to "indignities if not physical violence" by extremists among the Argentine exiles there.

Remorino offered to "reconsider" Argentina's insistence that the proposed meeting be called under the OAS charter rather than under the inter-American defense treaty.

Comment: Argentina, though committed in principle to an OAS meeting on Guatemala, has not yet approved the text of the resolution proposed by Washington. The objection to Uruguay as a site, shared by Venezuela, appears held equally firmly by both Remorino and President Peron, who are not always in accord on foreign policy.

Remorino's statements suggest that Argentina now is willing to drop certain of its objections to Washington's proposals in return for a change in the proposed site for a meeting.

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LATE ITEM

25X1A 11. Comment on Mendes-France's investiture:

The unexpected victory of Radical Socialist Pierre Mendes-France in his bid for the French premiership poses a serious threat to American policy in Europe as well as in

Southeast Asia. Mendes-France has long maintained that the Indochina war was too great a drain on the French economy. He has also argued that EDC ratification should be delayed until France can compete with West Germany on a more equal basis than present indications hold possible.

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While the 17 June vote of 419 in favor of investiture--with 47 opposition votes and 154 abstentions--is only assembly endorsement of Mendes-France personally, the strong support and the small opposition vote are indications that he should face little difficulty in forming a cabinet. He had stated before the vote that he did not want Communist support, and his government will not be dependent on the 99 Communists who voted for him. The Socialists, who have been in opposition since 1951, may be reluctant to accept parliamentary responsibility, despite their support for his candidacy. If the Popular Republicans persist in opposing him, he may be obliged to form a preponderantly rightist cabinet.

Mendes-France's dramatic promise to resign if no Indochina solution is in sight by 20 July may have influenced the decisive votes. He gave no details, however, of how he expects to improve on Laniel's policy. Presumably Bidault will not go back to Geneva and there will be a new team in the Foreign Ministry, which has been a Popular Republican monopoly almost from the beginning of the Fourth Republic. Mendes-France's bargaining power with the Communists will be considerably restricted by the 20 July deadline he has set for himself.

With the Popular Republicans in opposition for the first time since World War II, Mendes-France will not be under the same pressure as his predecessors to bring EDC to debate, although he has made a vague promise to achieve a "compromise satisfactory to the majority of the country" on this issue before the assembly adjourns.

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